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Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Report of the Second Committee

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I. Introduction

1. At its 2nd plenary meeting, on 17 September 2004, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-ninth session the item entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" and to allocate it to the Second Committee.

2. The Second Committee considered the item at its 10th, 11th, 12th, 17th, 18th and 40th meetings on 13, 14, 20, 27 October and 16 December 2004. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/59/SR.10, 11, 12, 17, 18 and 40). Attention is also drawn to the general debate held by the Committee at its 2nd to 8th meetings, from 4 to 6 and on 12 October 2004 (see A/C.2/59/SR.2-8).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/59/270);

(b) Note by the Secretary-General on innovative sources of financing for development (A/59/272);

(c) Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization (A/59/92-E/2004/73);

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(d) Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization: informal hearings of civil society on financing for development (A/59/92/Add.1-E/2004/73/Add.1);

(e) Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization: informal hearings of the business sector on financing for development (A/59/92/Add.2-E/2004/73/Add.2);

(f) Letter dated 22 June 2004 from the Permanent Representatives of Qatar to the United Nations addressed to the Secretary-General transmitting the Ministerial Declaration adopted on the occasion of the special ministerial meeting to commemorate the fortieth anniversary of the establishment of the Group of 77 (A/59/115);

(g) Letter dated 15 July 2004 from the Permanent Representatives of Canada and Mexico to the United Nations addressed to the Secretary-General (A/59/155-E/2004/96);

(h) Letter dated 1 October 2004 from the Permanent Representative of Turkey to the United Nations addressed to the Secretary-General transmitting the final communiqué of the annual coordination meeting of Ministers for Foreign Affairs of the States members of the Organization of the Islamic Conference (A/59/425-S/2004/808);

(i) Letter dated 15 October 2004 from the Permanent Representative of Qatar to the United Nations addressed to the Secretary-General transmitting the Ministerial Declaration of the twenty-eighth meeting of Ministers for Foreign Affairs of the Group of 77 (A/59/450).

4. At the 10th meeting, on 13 October, the Under-Secretary-General for Economic and Social Affairs, the Director of the Financing for Development Office of the Department of Economic and Social Affairs, the Rector of the United Nations University and the Deputy Director of the World Institute for Development Economics Research made introductory statements (see A/C.2/59/SR.10).

5. At the same meeting, the Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States made a statement (ibid.).

6. Also at the same meeting, in accordance with the provisions of General Assembly resolution 58/316 of 1 July 2004, the Committee held a dialogue with the substantive representatives, during which comments were made and questions were posed by the representatives of the Netherlands, the United Kingdom of Great Britain and Northern Ireland, Cameroon, Egypt, Chile, France, Morocco, Lebanon and the United States of America, as well as by the representative of the World Bank (ibid.).

7. At the same meeting, the Under-Secretary-General for Economic and Social Affairs, the Director of the Financing for Development Office, the Rector of the United Nations University and the Deputy Director of the World Institute for Development Economics Research responded (ibid.).

II. Consideration of proposals

A. Draft resolutions A/C.2/59/L.4 and A/C.2/59/L.69

8. At the 16th meeting, on 20 October, the representative of Qatar (on behalf of the Group of 77 and China) introduced a draft resolution entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" (A/C.2/59/L.4). The draft resolution read:

"*The General Assembly*,

"*Recalling* the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and its resolutions 56/210 B of 9 July 2002, 57/250 of 20 December 2002, 57/270 B of 23 June 2003, 57/272 and 57/273 of 20 December 2002 and 58/230 of 23 December 2003, as well as Economic and Social Council resolutions 2002/34 of 26 July 2002, 2003/47 of 24 July 2003 and 2004/64 of 16 September 2004,

"*Taking note* of the report of the Secretary-General on follow-up to and implementation of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders, and the note by the Secretary-General on innovative sources of financing for development,

"*Having considered* the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization, held in New York on 26 April 2004,

"*Determined* to continue to implement and build further on the commitments made and agreements reached at the International Conference on Financing for Development and to strengthen the coordinated and coherent engagement of all relevant stakeholders in the financing for development process,

"*Reiterating* the invitation to the World Trade Organization to strengthen its institutional relationship with the United Nations, particularly in the context of the follow-up to the International Conference on Financing for Development,

"*Welcoming* international efforts aimed at identifying innovative and additional sources for financing development,

"*Welcoming with satisfaction* in this regard the initiative launched by the Presidents of Brazil, France and Chile and the President of the Government of Spain, with the support of the Secretary-General, to convene in New York on 20 September 2004 a meeting of world leaders on action against hunger and poverty, and the resulting New York Declaration, which has been supported by 109 countries,

"*Recognizing* the link between financing for development and the achievement of the Millennium Development Goals,

"1. *Reiterates* the call to implement fully and build further on the commitments made and agreements reached at the International Conference on Financing for Development;

"2. *Underlines*, in order to complement national development efforts, the importance of the full implementation of the commitment to enhance further the coherence and consistency of international monetary, financial and trading systems, and in this context requests the Secretary-General to keep the actions taken under review;

"3. *Stresses* the importance of the full involvement of all relevant stakeholders in the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels, and stresses also the importance of their full participation in the Monterrey follow-up process, in accordance with the rules of procedure of the United Nations and established modalities;

"4. *Requests* the Secretary-General to consult with the Director-General of the World Trade Organization in order to build on the ad hoc modality of interaction between the United Nations and the World Trade Organization in the preparations for the International Conference on Financing for Development and to propose possible modalities to strengthen this relationship, including the participation of the United Nations in discussions of issues related to financing for development held under the auspices of the World Trade Organization;

"5. *Recognizes* the issues of particular concern to developing countries acknowledged by world leaders in paragraph 28 of the Monterrey Consensus, and the importance and critical role that a universal, rule-based, open, non-discriminatory and equitable trading system would play in stimulating economic growth and development, particularly in the case of the developing countries where trade continues to be one of the most important sources of development financing, and in this regard, while welcoming the decision taken by the General Council of the World Trade Organization on 1 August 2004, stresses the need to retain the development dimension in the negotiations, as mandated by the Doha work programme;

"6. *Underlines* the need to consider the establishment of innovative financial mechanisms for financing development, as appropriate, to support the efforts of developing countries to achieve sustained economic growth and sustainable development;

"7. *Decides* to give further consideration to possible innovative sources of financing for development, including financing for the fight against hunger and poverty, during the fifty-ninth session of the General Assembly, building in particular on the discussions initiated at the meeting of world leaders, with a view to feeding into the high-level plenary meeting of the General Assembly to be held at the commencement of the sixtieth session of the Assembly pursuant to resolution 58/291 of 6 May 2004, and in this regard requests the Economic and Social Council to consider the issue of innovative sources of financing for development at its meetings to be held in 2005, including its high-level spring meeting;

"8. *Reaffirms* the need to adopt policies and undertake measures to reduce the cost of transferring migrant remittances to developing countries;

"9. *Notes* that, while foreign direct investment is a major source of financing development, the flow of such funds to developing countries remains uneven, and in this regard calls upon developed countries to consider ways and means to stimulate source country measures to promote the flow of foreign direct investment in order to complement the domestic efforts made by developing countries to create a conducive environment for attracting investment;

"10. *Expresses concern* about the insufficient levels of official development assistance which are below the internationally agreed target of 0.7 per cent of gross national product, urges the developed countries to fulfil this target as soon as possible, and in this regard calls for enhanced and predictable aid flows to ensure the sustainability of the development efforts of developing countries;

"11. *Stresses* that debt relief must play a key role in achieving the Millennium Development Goals and that the definition and calculation of debt sustainability should relate to the capacity of a country to achieve its development goals; and stresses also the need to recognize the country-specific character of sustainability, to apply greater case-by-case flexibility in the setting and implementation of thresholds and to consider debt scenarios in the face of possible external shocks, while linking debt policy more closely with growth and development, as recognized by the International Monetary Fund and the World Bank;

"12. *Notes* the lack of sufficient progress in the heavily indebted poor country process dealing with the debt of low-income countries, and in this regard welcomes the proposals put forward calling for significant increases in grants and debt relief, including those that would provide up to 100 per cent debt relief from the international financial institutions;

"13. *Expresses concern* that the issue of strengthening the voice and effective participation of developing countries in the decision-making processes of the Bretton Woods institutions and the World Trade Organization has not yet been adequately addressed, and in this regard invites these institutions to continue to examine this issue through the implementation of the principles of full and equal participation in their respective decision-making processes;

"14. *Emphasizes* that corruption at all levels is a serious barrier to development and to effective resource mobilization and allocation, reaffirms the commitment expressed in the Monterrey Consensus to make the fight against corruption at all levels a priority, encourages all Governments to combat corruption, bribery, money-laundering and the transfer of illicitly acquired funds and assets and to work for the return of such funds and assets to the countries of origin, and welcomes the action taken in that regard at the national and international levels;

"15. *Decides* to consider, by the first part of 2005, the appropriate modalities for holding the high-level dialogue on financing for development,

taking into account developments in the preparations for the high-level event of the General Assembly to be held in 2005;

"16. *Decides also* to consider at the high-level dialogue on financing for development in 2005 the timing and modalities for a follow-up conference to review the implementation of the Monterrey Consensus, as called for in paragraph 73 of the Consensus;

"17. *Emphasizes* the need for an effective intergovernmental follow-up mechanism for the International Conference on Financing for Development, and in this regard decides to consider the creation of an intergovernmental, geographically balanced committee for the effective follow-up of the Monterrey process;

"18. *Requests* the Economic and Social Council to explore the adoption of a multi-year programme of work for its high-level spring meeting;

"19. *Decides* to include in the provisional agenda for the sixtieth session of the General Assembly the item entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development", and requests the Secretary-General to submit under this item an annual analytical assessment of the state of implementation of the Monterrey Consensus and of the present resolution, to be prepared in full collaboration with the major institutional stakeholders."

9. At the 40th meeting, on 16 December, the Vice-Chairman of the Committee, Antonio Bernardini (Italy), introduced a draft resolution entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" (A/C.2/59/L.69), which he submitted on the basis of informal consultations held on draft resolution A/C.2/59/L.4.

10. At the same meeting the representative of Cameroon, as facilitator, made the following oral revisions to the draft resolution:

(a) In *operative paragraph 5*, before the words "the decision taken by the General Council", the words "while welcoming" were replaced by the word "welcomes";

(b) At the beginning of *operative paragraph 17*, the words "*Reiterates* the commitment" were replaced by the word "*Decides*".

11. At the same meeting, the Committee adopted draft resolution A/C.2/59/L.69 as orally revised (see para. 13).

12. In the light of the adoption of draft resolution A/C.2/59/L.69, draft resolution A/C.2/50/L.4 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

13. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Follow-up to and implementation of the outcome of the International Conference on Financing for Development

The General Assembly,

Recalling the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and its resolutions 56/210 B of 9 July 2002, 57/250 of 20 December 2002, 57/270 B of 23 June 2003, 57/272 and 57/273 of 20 December 2002 and 58/230 of 23 December 2003, as well as Economic and Social Council resolutions 2002/34 of 26 July 2002, 2003/47 of 24 July 2003 and 2004/64 of 16 September 2004,

Taking note of the report of the Secretary-General on follow-up to and implementation of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders,[1] and the note by the Secretary-General on innovative sources of financing for development,[2]

Having considered the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization, held in New York on 26 April 2004,[3]

Recognizing the progress made in the implementation of the commitments made and agreements reached at the International Conference on Financing for Development and that more remains to be done,

Determined to continue to implement and build further on these commitments and agreements and to strengthen the coordinated and coherent engagement of all relevant stakeholders in the financing for development process,

Recalling the invitation to the World Trade Organization to strengthen its institutional relationship with the United Nations, in the context of the follow-up to the International Conference on Financing for Development,

Noting international efforts, contributions and discussions aimed at identifying possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, within the follow-up to the International Conference on Financing for Development, recognizing that some of such sources and their use fall within the realm of sovereign action,

Welcoming in this regard the initiative launched by the Presidents of Brazil, France and Chile and the President of the Government of Spain, with the support of the Secretary-General, to convene in New York on 20 September 2004 a meeting of world leaders on action against hunger and poverty,

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[1] A/59/270.

[2] A/59/272.

[3] A/59/92-E/2004/73.

Noting the report of the Commission on the Private Sector and Development entitled *Unleashing Entrepreneurship: Making Business Work for the Poor*,[4]

Noting also the ongoing analysis by the World Bank and the International Monetary Fund, mentioned in the communiqué of the Development Committee of 2 October 2004, of proposals on financing modalities to complement increased aid flows and commitments with innovative mechanisms, and their technical feasibility,

Welcoming the support of Member States for the Financing for Development Office for organizing multi-stakeholder consultations within its mandate, and in accordance with resolution 58/230,

Recognizing the strong link between financing for development and the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration,[5]

1. *Reiterates* the call to implement fully and build further on the commitments made and agreements reached at the International Conference on Financing for Development;

2. *Stresses* the importance of the full involvement of all relevant stakeholders in the implementation of the Monterrey Consensus of the International Conference on Financing for Development[6] at all levels, and stresses also the importance of their full participation in the Monterrey follow-up process, in accordance with the rules of procedure of the United Nations, in particular the accreditation procedures and modalities of participation utilized at the Conference and in its preparatory process;

3. *Underlines*, in accordance with the Monterrey Consensus:

(a) The importance of the implementation of the commitment to sound policies, good governance at all levels and the rule of law;

(b) The importance of the implementation of the commitment to create an enabling environment for mobilizing domestic resources and the importance of sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure as a basis for sustained economic growth, poverty eradication and employment creation;

(c) The importance, in order to complement national development efforts, of the implementation of the commitment to enhance the coherence and consistency of international monetary, financial and trading systems;

4. *Requests* the Secretary-General to consult with the Director-General of the World Trade Organization in order to expand existing cooperation between the two organizations on issues related to financing for development and to build on the ad hoc modality of interaction between the United Nations and the World Trade Organization in the preparations for the International Conference on Financing for Development by making better use of the possibilities offered by the existing framework of cooperation;

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[4] See http://www.undp.org/cpsd.

[5] See resolution 55/2.

[6] See *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication Sales No. E.02.II.A.7).

5. *Recognizes* the issues of particular concern to developing countries and countries with economies in transition acknowledged in paragraph 28 of the Monterrey Consensus, and the importance and critical role that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can play in stimulating economic growth and development, benefiting countries at all stages of development, particularly in the case of the developing countries, where trade continues to be one of the most important sources of development financing, and in this regard welcomes the decision taken by the General Council of the World Trade Organization on 1 August 2004, which rededicates and recommits members to fulfilling the development dimensions of the Doha Development Agenda,[7] which places the needs of developing and least developed countries at the heart of the Doha work programme;

6. *Notes* the recognition by the World Bank and the International Monetary Fund of the need to pursue efforts to increase fiscal space for public infrastructure investment within limits of fiscal prudence and debt sustainability;

7. *Decides* to give further consideration to the subject of possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, taking into account international efforts, contributions and discussions, within the overall inclusive framework of the follow-up to the International Conference on Financing for Development;

8. *Acknowledges* the role that the private sector can play in generating new financing for development, and stresses the importance of pursuing appropriate policy and regulatory frameworks at the national level, in a manner consistent with national laws, to foster a dynamic and well-functioning business sector to increase economic growth and reduce poverty, while recognizing that the appropriate role of Government in market-oriented economies will vary from country to country;

9. *Reaffirms* the need to adopt policies and undertake measures to reduce the cost of transfer of migrant remittances to developing countries, and welcomes efforts by Governments and stakeholders in this regard;

10. *Notes* that while foreign direct investment is a major source of financing development, the flow of such funds to developing countries and countries with economies in transition remains uneven, and in this regard calls on developed countries to continue to devise source-country measures to encourage and facilitate the flow of foreign direct investment, inter alia, through the provision of export credits and other lending instruments, risk guarantees and business development services, and calls upon developing countries and countries with economies in transition to continue their efforts to create a conducive domestic environment for attracting investments by, inter alia, achieving a transparent, stable and predictable investment climate with proper contract enforcement and respect for property rights;

11. *Recalls* the commitments made at the International Conference on Financing for Development to increase the levels and effectiveness of official development assistance, in this regard welcomes the recent increase in official development assistance, which represents progress towards the target of 0.7 per cent of gross national product, as well as the progress announced by some countries, including in some cases the setting of clear timetables to achieve this objective,

[7] See A/C.2/56/7, annex.

urges developed countries that have not yet done so to make concrete efforts towards the target of 0.7 per cent of gross national product as official development assistance to developing countries, and 0.15 to 0.20 per cent of gross national product of developed countries to least developed countries, and encourages developing countries to continue to build on progress achieved in ensuring that official development assistance is used effectively to help achieve development goals and targets;

12. *Notes* the efforts of donor countries and recipient countries to improve aid effectiveness, based on national development needs and priorities, including through sound policies at all levels, and stresses the need to intensify the efforts of multilateral and bilateral financial and development institutions in accordance with the Monterrey Consensus;

13. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, achieving sustained economic growth and sustainable development, as well as in the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration;[5] in this regard, notes with concern that, in spite of some progress, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability, and stresses the importance of promoting responsible lending and borrowing and the need to help these countries manage their borrowings and avoid a build-up of unsustainable debt, including through the use of grants; and in this regard welcomes the ongoing work by the International Monetary Fund and the World Bank to develop a forward-looking debt sustainability framework for heavily indebted poor countries and low-income countries, as well as the current discussion on other initiatives aimed at ensuring long-term debt sustainability, including through debt reduction or cancellation, while stressing the need to maintain the financial integrity of the multilateral financial institutions;

14. *Stresses also* the importance of advancing in the efforts to reform the international financial architecture, as envisaged in the Monterrey Consensus, and in this regard encourages the International Monetary Fund and the World Bank to continue examining the issues of the voice and effective participation of developing countries and countries with economies in transition in their decision-making processes;

15. *Emphasizes* that corruption at all levels is a serious barrier to development and to effective resource mobilization and allocation, reaffirms the commitment expressed in the Monterrey Consensus to make the fight against corruption at all levels a priority, welcomes actions taken in that regard at the national and international levels, and invites all Governments that have not yet done so to sign and ratify the United Nations Convention against Corruption;[8]

16. *Decides* to consider, by the first part of 2005, the appropriate modalities for holding the high-level dialogue on financing for development, taking into account developments in the preparation for the high-level event of the General Assembly to be held in 2005, and in this context stresses the importance of financing for development for the comprehensive review of the progress made in the

[8] Resolution 58/4, annex.

implementation of the Millennium Declaration and the outcomes of the major United Nations conferences and summits in the economic, social and related fields;

17. *Decides* to consider in 2005 the timing and modalities for a follow-up conference to review the implementation of the Monterrey Consensus, as called for in paragraph 73 of the Consensus;

18. *Emphasizes* the importance of an effective intergovernmental follow-up to the International Conference on Financing for Development, in that regard recalls paragraph 69 of the Monterrey Consensus as well as resolution 58/230, reiterates the need to continue to explore ways of strengthening the follow-up, and decides to keep the issue under review;

19. *Decides* to include in the provisional agenda for the sixtieth session of the General Assembly the item entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development", and requests the Secretary-General to submit under this item an annual analytical assessment of the state of implementation of the Monterrey Consensus and of the present resolution, to be prepared in full collaboration with the major institutional stakeholders.